



**Bureau of Insurance Statement Regarding Maine Community Health Options'
December 2018 Results**

March 12, 2019

Community Health Options (CHO) filed its 2018 Annual Statement on March 1, 2019 which reported net income of \$25.3 million for the year, 386.5% higher than the Plan's estimate of \$5.2 million. CHO's surplus increased during 2018 to \$57.3 million at yearend, \$23.6 million (70.0%) higher than the \$33.7 million at the end of 2017. Cash and invested assets increased to \$161.4 million at year-end, a 157.0% increase from \$62.8 million at yearend 2017. CHO's risk-based capital ratio (a measure of financial strength) increased to 416% at December 31, 2018 which compares to 307% at the end of 2017.

CHO's December 2018 membership was 50,128, which compares to membership of 38,124 at the end of 2017. Incurred medical claims YTD 2018 on a per member per month basis were 12.3% lower than Plan and prescription drug costs 16.7% lower. This favorable variance materially contributed to CHO's reported 2018 underwriting gain of \$25.0 million versus a \$4.6 million underwriting loss in 2017.

CHO's mix of business by metallic level (a measure of benefit "richness" ranging downward from Gold to Silver to Bronze) significantly changed in 2018 (more Bronze) from 2017 (more Silver). This, combined with better-than-expected claim results, implies that the Company is likely to shift from a recipient to a payer of risk adjustment. A wide range of risk adjustment results is possible. CHO has accrued a \$40.6 million liability for possible risk adjustment payments for 2018, which its consulting actuaries believe is reasonable. CMS will announce the actual risk adjustment results for 2018 on or about June 30, 2019. Since CHO's 2019 book of business appears fairly similar to 2018, a premium deficiency reserve of \$15.8 million was established as of December 31, 2018 to reflect a possible risk adjustment payable for 2019 as well.

Management believes that CHO's December 31, 2018 reserve accruals for unpaid claim obligations and 2018 risk adjustment payable are conservatively stated. So too, management views the premium deficiency reserve arising from an estimated 2019 risk adjustment payable, as conservative. A better assessment of those reserves can be made as 2018 and prior year claims are fully paid and once the 2018 risk adjustment announcements are made by CMS at mid-year.

Overall, CHO's 2018 performance was encouraging, with the various measures of its financial strength improving. This performance needs to be considered in the context of CHO's significant losses for 2015–2017, which its favorable performance in 2018 did not offset. . Finally, as past results have demonstrated, the Affordable Care Act-related market is quite volatile and significant fluctuations in financial performance are possible. Consequently, the Bureau of Insurance will continue to monitor CHO's operations and performance and issue monthly statements.